

Opinion

Manufacturer support important to job creation

James T. Brett

Published: May 31, 2004

Like any athlete in a race for the finish, you cannot expect to reach the goal if you lose momentum.

In this current race for job creation, we will not achieve our goals if we undermine important programs that have demonstrated value.

The Manufacturing Extension Partnership, which operates in most of the six New England states, is an example of a program that has created jobs and increased profits for small manufacturers throughout the region since its inception in 1995. Its future success remains unclear, as the budget for this largely federally supported program was cut 60 percent for fiscal 2004 and remains at that level for fiscal 2005.

The MEP programs, supported by the U.S. Department of Commerce, help small and medium-size manufacturers identify and implement advanced manufacturing and management technologies, improving efficiency and competitiveness.

Because small businesses are responsible for the majority of new job creation in this country, it is important that we shore up resources that support them. Small manufacturers represent 98.5 percent of all of the manufacturing enterprises nationally and account for nearly 80 percent of the employment. They represent a major part of the supply chain -- making parts for the larger original equipment manufacturers.

The U.S. Department of Commerce estimates that some 2.6 million manufacturing jobs were lost in the most recent recession. Output fell 6 percent in manufacturing during the same time period. According to the U.S. Bureau of Labor Statistics, New England lost more than 175,000 manufacturing jobs from July 2000 to October 2003.

Recent published reports indicate that job creation is occurring here. Increases to date, however, have been modest. According to the state Division of Unemployment Assistance, Massachusetts has added 800 manufacturing jobs since September 2003. The state lost 90,000 manufacturing jobs in the recession.

Massachusetts MEP Director Jack Healy reports that MEP clients were surveyed to determine the economic impact resulting from their relationship with the program. From 1995 to mid-2003, the firms created 1,527 new jobs, retained 2,360 jobs that otherwise would have been eliminated, experienced increased and retained sales of \$229.2 million and spent \$107.3 million on new investments. When the indirect economic impact is calculated, the survey indicated that during this time period, the 468 companies that increased or retained jobs or sales are responsible for creating or retaining 8,786 jobs that paid a total of \$400.7 million in employee wages and benefits; increasing or retaining

\$671.3 million of gross state product; and generating or retaining more than \$172.6 million in additional revenue at the federal, state and local levels.

The U.S. Census Department also surveyed 1,159 manufacturers and followed them for five years. Those that were served by MEP experienced between 3.4 percent and 16 percent more growth in labor productivity over those five years than similar firms with no assistance from MEP.

According to John Cronin, of the Rhode Island Manufacturing Extension Service, a survey of 100 manufacturers who used the service in the past year reported \$35 million in increased sales and some 470 jobs created and retained. In Connecticut, the MEP created 1,186 new manufacturing jobs in 2003.

MEP programs offer services that largely focus on education and training with a goal of implementing lean-manufacturing principles. The MEP also offers a technical skills training program that can help a company transition to new businesses. Another area involves helping small manufacturers connect with the U.S. Department of Defense.

The MEP program's biggest challenge is funding. Strengthening the manufacturing base is important to our economic future. The National Association of Manufacturers reports that every \$1 in manufactured goods generates an additional \$1.43 worth of economic activity, outpacing any other economic sector. Manufacturing also historically outperforms other sectors in the generation of productivity increases.

In a climate concerned about economic recovery, restoring momentum to the MEP will go a long way in new job creation.

Copyright(c) American City Business Journals Inc. All rights reserved.

You can view this article on the web at:
<http://boston.bizjournals.com/boston/stories/2004/05/31/editorial4.html>